

Our business principles



Our company was built
with hard work over
200 years. We would like
to create a company
that all can be proud of,
and we are confident
that, working together,
we will build the best
financial services company
in the world.

Our business principles

Certain principles are so fundamental to our success that we would like to describe them in some detail. If we can adhere to these principles – and they are not in order of importance – we will reach our goal of becoming the best financial services company in the world. We also hope they will give you a roadmap on how and why we make our decisions.

Aspire to be the best

- Develop a world-class franchise in every business we operate
- Be field- and client-driven, consistently delivering the best products and services in a cost-effective way
- Innovate, test and learn
- Create powerful brands that carry a commitment of quality and integrity

Execute superbly

- Demand and maintain strong financial discipline, building for good times and bad
- Create and maintain a fortress balance sheet
- Design and maintain the best systems and operations
- Eliminate waste and bureaucracy
- Maintain a strong system of internal governance and controls
- Measure performance through a complete and balanced scorecard

Build a great team and a winning culture

- Operate with the highest standards of integrity
- Train and retain great managers
- Be open and honest with ourselves, our colleagues, our shareholders and our communities
- Get incentives right
- Foster an environment of respect and inclusiveness
- Give back to our communities

Aspire to be the best

At JPMorgan Chase, we want to be the best financial services company in the world. Because of our great heritage and excellent platform, we believe this is within our reach. We cannot promise specific outcomes or risk-free results.

What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing, not necessarily the easy or expedient thing; and work with fierce resolve to make this a company of which our shareholders, employees, customers and communities can be proud.

To be the best, we must:

Develop a world-class franchise in every business we operate

To be great, a company must have the ability to deliver good returns and solid growth over time. To achieve these results, we must provide our customers with a broad, complete and high-quality set of products and services while leveraging the benefits and efficiency that come with scale. We must also demonstrate our ability to grow both organically (e.g., new products, market-share gains) and by acquisition. Finally, we must demonstrate that the whole is greater than the sum of the parts. Each business fuels and complements the others, providing substantial competitive advantages such as distribution channels (credit cards and mortgages for retail customers, or treasury and securities services for wholesale clients, to name just a few) and great global brands.

Be field- and client-driven, consistently delivering the best products and services in a cost-effective way

We must act in the customer's best interest, not once in a while, but consistently. This means offering outstanding products and services and being helpful, courteous and quick to follow up. We need to be keenly aware of the competitive landscape and quick to act. The field – the employees closest to the customer – should drive this process and have *ample resources* and authority to be the best at serving customers. Our strength resides in the field. We must exceed customers' expectations and constantly make it easier for them to do business with us.

Innovate, test and learn

We need to make innovation part of our DNA. This does not mean spending hundreds of millions of dollars on failed ideas. It does mean, however, that we will take some calculated risks, knowing that some will fail. It requires that we build forward-looking ideas into every conversation, every analysis and every new product we look at.

Create powerful brands that carry a commitment of quality and integrity

We are fortunate to have two highly respected and powerful brands. Each of them is not only a promise to customers, but also a commitment we make to ourselves about who we are and just how good we want to be. This commitment goes well beyond creating a name, visual design, symbols, colors or a tag line. To be powerful and trusted, our brands must be brought to life by the people who represent them and the systems they use. Talking the talk is not enough. We need to walk the talk and deliver on the promise every day.

Execute superbly

As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. The devil is in the details. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments. Without discipline, mediocrity rules.

To execute superbly, we must:

Demand and maintain strong financial discipline, building for good times and bad

Financial discipline is a bedrock of great companies, particularly financial companies. Financial discipline—including sound accounting standards, transparent public reporting and great management information systems—leads to high-quality earnings that are recurring and predictable in nature; yields high returns on capital; produces good margins; and provides reasonable risk relative to the capital deployed.

Financial discipline must be matched with superior—not just average—risk management. If we properly manage risk, we should get a good return through the cycle, not just during the good times. We must consider walking away from business where we cannot see a fair return over the cycle. This may slow short-term growth, but it underscores our commitment to grow in a sustainable way. It is a trade-off we will always be prepared to make.

Create and maintain a fortress balance sheet

An unquestionably strong—or fortress—balance sheet is critical to managing business. Having appropriate reserves, strong capital ratios and strong credit ratings allows us to withstand difficult events while giving us the flexibility to deploy our capital as we see fit—such as increasing our dividends, buying back stock, investing in our businesses, making acquisitions or simply doing nothing. We will deploy our capital wisely and in the shareholders' best interest. This is one of our most important goals.

To build a fortress balance sheet, we must thoroughly understand all our assets and liabilities; make sure that someone is accountable for them; use sound, economically appropriate accounting; and have strong controls.

Design and maintain the best systems and operations

Profitable companies consistently build the best infrastructure. The best systems and operations give them the ability to meet the needs of customers and exceed their expectations for service. To that end, we must be a lean and efficient producer. It is not just about cutting costs. Great performance requires spending more and getting more from every dollar we spend. It is irresponsible to waste our critical resources on expenditures that have nothing to do with better serving our clients.

We also must relentlessly focus on integrating and upgrading technology, and on aggressively consolidating, streamlining and standardizing our operations, all of which help to push decision-making and authority to the field. We believe that technology

and efficient operations will be critical in the financial services business, and therefore we need to embrace and integrate them into everything we do. We need to continually strive to give our customers more, better, faster and cheaper.

Eliminate waste and bureaucracy

Bureaucracy, silos and politics are the bane of large corporations; they must be combatted vigorously and continually. While appropriate rules and procedures are critical to the control and discipline of an organization, unnecessary rules translate into bureaucracy, which destroys initiative, neutralizes passion, stifles creativity, eliminates accountability, and makes it hard for people to do a good job and for managers to manage well.

Maintain a strong system of internal governance and controls

Good internal governance is essential to effective management. It ties together all our businesses worldwide with a common set of rules, expectations and oversight activities. These help safeguard our reputation, which we believe is one of our most important assets, and align the company's performance with the best interests of our shareholders.

Measure performance through a complete and balanced scorecard

A mark of an exceptional company is its ability to outperform its competitors, regardless of economic conditions. Any company can improve earnings in the short run by taking on additional risk and cutting back on investments. But it may be the kind of growth one comes to regret. Our obligation is to build a company that can thrive in any environment.

To reach that level of performance requires using a complete and balanced scorecard that goes beyond earnings to address many questions, such as:

- Are we recruiting and developing great people?
- Are we innovating better products?
- Are we relentlessly improving our core processes?
- Are we making good returns on capital?

Business leaders are frequently asked to identify their "three big areas of focus." It is a frustrating question. To build a great company, you must accomplish all of the above, and more. There is no *simple* solution.

Build a great team and a winning culture

Eventually, it all comes down to people. Creating a winning team and a self-sustaining culture takes hard work, and there is no substitute for it. Teams do not win because they have a new stadium or the best uniforms. Some of the best teams do not even have the best individual athletes. Teams win because they are disciplined, they work well together, they execute consistently and they have a *passion* to win.

To attract, support, motivate and retain a great team, we must:

Operate with the highest standards of integrity

In business, as in every other arena, ethical behavior does not just happen. It has to be cultivated and repeatedly affirmed throughout the organization. Maintaining the highest standards of integrity involves being honest and doing the right thing for our customers, fellow employees, our shareholders and all our other partners. To paraphrase a former leader of our firm, J.P. Morgan, Jr., we will conduct first-class business in a first-class way (see full statement).

Train and retain great managers

We need to continually hire and train great managers and leaders. Great managers drive for superior performance, building teamwork within and across business lines. They act quickly on tough issues, relentlessly strive to improve performance, demonstrate a passion to win and develop their people.

Be open and honest with ourselves, our colleagues, our shareholders and our communities

We must build a culture based on truth, knowledge, constructive debate, a passion to win, and the courage to face and fix mistakes. We must learn to be brutally honest with ourselves. Our experience is that if you ask people to tell you the truth about what needs to be done, they will tell you. Our responsibility is to create a company that promotes this kind of constructive exchange. Then – and we believe this is the hardest part of leadership – we must have the fortitude and courage to take action and do the right thing, however difficult. Leadership is *an honor and a privilege*, and carries the responsibility to set the right example.

All our people must be engaged in challenging the system and solving problems. The key is to never stop learning, to share ideas and always acknowledge mistakes. Our commitment is to create a self-sustaining culture that strives for continual improvement, which will ensure the health of this company for decades to come.

Get incentives right

We want employees to think and act like owners and partners. We want to offer them an appropriate stake in JPMorgan Chase's financial performance, which is why equity is an important part of our compensation plans. Compensation should follow performance, not

hierarchy. The higher the manager, the more his or her compensation should be tied to the company's performance – no excuses.

Morale builds from respect, growth, innovation and success; from establishing a true meritocracy; from the stock performing well; from customers liking to do business with us. A great company provides people with competitive compensation, the opportunity to benefit as the company grows and a rewarding career path. Done right, incentive plans create a proper balance of individual and collective accountability.

Foster an environment of respect and inclusiveness

We need to constantly remind ourselves that the *most important thing* we can do for employees is to build a healthy, vibrant company that treats people with respect and creates opportunity. Everyone counts, and we have to remember that we all support one another. Above all, it means doing what is right for the company and the customer, even if we have to make unpopular decisions and forgo near-term rewards.

We strive to create a more inclusive work environment that draws on and develops the best talent. We want individuals of any race, nationality, gender, sexual orientation or physical ability to have the opportunity to excel based on their performance and contribution to the firm. Building a diverse and inclusive work environment requires effort and perseverance, which is why we will make inclusiveness and diversity an integral part of how we manage the company.

Give back to our communities

We believe that building a strong, vibrant company, one that stands the test of time, will eventually benefit not only our shareholders, but everyone we touch. It is what enables us to give back to our communities. In one sense, we view ourselves as a small business. If we were the neighborhood store, we would give kids summer jobs, sponsor local sports teams and support local organizations. We operate this way in many of our communities around the world, striving to be as supportive as we can. We are committed to adding value by focusing on issues that are universally important, including education and community development.

Our greatest source of pride, however, is our employees, who contribute tremendous amounts of time and talent to worthwhile causes around the world. Our long tradition of volunteerism continues with thousands of employees participating in hundreds of volunteer efforts.

First-class business in a first-class way

“I have ventured to frame a brief statement of my views on the subject of duties and uses of bankers.

“The banker is a member of a profession practiced since the middle ages. There has grown up a code of professional ethics and customs, on the observance of which depend his reputation, his fortune, and his usefulness to the community in which he works.

“Some bankers are not as observant of this code as they should be; but if, in the exercise of his profession, the banker disregards this code – which could never be expressed in legislation, but has a force far greater than any law – he will sacrifice his credit. This credit is his most valuable possession; it is the result of years of fair and honorable dealing and, while it may be quickly lost, once lost cannot be restored for a long time, if ever. The banker must at all times conduct himself so as to justify the confidence of his clients in him and thus preserve it for his successors.

“If I may be permitted to speak of the firm of which I have the honour to be the senior partner, I should state that at all times the idea of doing only first-class business, and that in a first-class way, has been before our minds. We have never been satisfied with simply keeping within the law, but have constantly sought so to act that we might fully observe the professional code, and so maintain the credit and reputation which has been handed down to us from our predecessors in the firm. Since we have no more power of knowing the future than any other men, we have made many mistakes (who has not during the past five years?), but our mistakes have been errors of judgment and not of principle.

“The banker must be ready and willing at all times to give advice to his clients to the best of his ability. If he feels unable to give this advice without reference to his own interest he must frankly say so. The belief in the integrity of his advice is a great part of the credit of which I have spoken above, as being the best possession of any firm.

“Another very important use of the banker is to serve as a channel whereby industry may be provided with capital to meet its needs for expansion and development. To this end the banker can serve well, since, as he has at stake not only his client’s interests but his own reputation, he is likely to be specially careful. If he makes a public sale and puts his own name at the foot of the prospectus he has a continuing obligation of the strongest kind to see, so far as he can, that nothing is done which will interfere with the full carrying out by the obligor of the contract with the holder of the security.”

J.P. Morgan, Jr., May 23, 1933

Excerpt from statement made before the Sub-Committee
of the Committee on Banking and Currency of the U.S. Senate